



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 11, 2000

### **S. 876** **Children's Protection from Violent Programming Act**

*As ordered reported by the Senate Committee on Commerce, Science,  
and Transportation on September 20, 2000*

#### **SUMMARY**

CBO estimates that implementing S. 876 would result in no significant costs to the federal government. The bill could affect governmental receipts, so pay-as-you-go procedures would apply; however, CBO estimates that the amounts involved would not be significant. S. 876 would impose both an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) on distributors of certain types of video programs. CBO estimates that the costs to state, local, and tribal governments would be small and would not exceed the annual threshold for intergovernmental mandates established in UMRA (\$55 million in 2000, adjusted for inflation). We cannot determine whether the total costs to private-sector entities would exceed the annual threshold for private-sector mandates established in that act (\$109 million, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

S. 876 would prohibit the broadcasting of violent video programming that cannot be blocked by individual television receivers during hours when children comprise a significant portion of the viewing audience. The bill would require the Federal Communications Commission (FCC) to issue implementing regulations within nine months of enactment and enforce these regulations through forfeiture penalties. In addition, the FCC would be required to report to Congress annually on the effectiveness of the television industry's programming ratings and v-chip systems and to take certain actions if the FCC finds that the system has been ineffective. Finally, within 18 months of enactment, the Federal Trade Commission (FTC) would have to report to the Congress on the entertainment industry's marketing of products with violent content to children.

Based on information from the FCC, CBO estimates that the commission would spend about \$350,000 a year to implement S. 876. However, the agency is authorized under current law to collect fees from the telecommunications industry sufficient to cover its regulatory and enforcement costs. Those fees are treated as offsets to discretionary spending. Hence, CBO estimates that the net increase in the FCC's spending resulting from S. 876 would be negligible. The FTC also would incur additional costs in order to study the marketing of violent programming to children during the first 18 months after enactment. Based on information from the FTC, CBO estimates that these additional costs would not be significant.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. S. 876 could affect receipts because the FCC would be required to impose forfeiture penalties for violations of this legislation. Such penalties are recorded as governmental receipts (revenues). Based on information from the FCC, CBO expects that the increase in revenues resulting from this legislation would not be significant.

## **INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT**

S. 876 would impose an intergovernmental and private-sector mandate by prohibiting the transmission to the public of certain violent programs unless they can be blocked by electronic means during hours when children are likely to comprise a substantial portion of the audience. These mandates would affect television networks, broadcast stations, cable operators, and providers of satellite broadcast services. Certain satellite and cable premium and pay-per-view programs would be exempt, and the FCC could exempt other programs, such as news and sports. The mandate would primarily fall on the private sector, but would also apply to state and local governments that operate public television stations.

To comply with the mandate, the distributors would be required to reschedule or not transmit certain violent programs that do not include a code allowing them to be blocked electronically. Encoding the programs is not expensive, so the greatest potential cost to the private sector would be any loss of net revenues associated with changes in the scheduling or non-transmission of those violent programs that are not encoded.

Information from the FCC and industry representatives indicates that most programs currently include coding that allow them to be blocked electronically. Thus, the mandate would effectively require changes to only a small number of programs. CBO cannot

estimate, however, the total costs to comply with this mandate because we have no basis for predicting what regulations the FCC would issue, the distributors' response to those regulations, or the viewers' response to those changes.

The bill's requirements would also apply to public television stations operated by state and local governments. According to the Corporation for Public Broadcasting, state and local governments (including public colleges and universities) operate about one-half of the 368 public television stations.

CBO estimates the direct costs of complying with this mandate would be small for public stations. It is possible that the bill's requirements could alter the viewership of public television programs, leading to a decrease in revenues from corporate sponsorships. However, because corporate underwriting of such programs represents a relatively small portion of these stations' revenues, CBO expects that any decrease in revenues would be small and would not exceed the annual threshold for intergovernmental mandates established in UMRA (\$55 million in 2000, adjusted annually for inflation).

**ESTIMATE PREPARED BY:**

Federal Cost: Ken Johnson

Impact on State, Local, and Tribal Governments: Shelley Finalyson

Impact on the Private Sector: Jean Wooster

**ESTIMATE APPROVED BY:**

Robert A. Sunshine

Assistant Director for Budget Analysis